

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature -- First Regular Session

MINUTES RECEIVED
CHIEF CLERK'S OFFICE
12-21-15

HOUSE AD HOC INTERNATIONAL TRADE AND COMMERCE COMMITTEE

Report of Ad Hoc Meeting
Thursday, December 10, 2015
House Hearing Room 1 -- 1:30 p.m.

Convened 1:35 p.m.

Recessed

Reconvened

Adjourned 3:28 p.m.

Members Present

Ms. Charlene Fernandez
Mr. Anthony Rivero
Mr. Bob Robson, Chairman
Mr. David Livingston, Ex-officio

Members Absent

Mr. David Gowan, Ex-officio
Mr. Eric Meyer, Ex-officio
Mr. Steve Montenegro, Ex-officio
Ms. Rebecca Rios, Ex-officio
Mr. Bruce Wheeler, Ex-officio

Agenda

Original Agenda – Attachment 1

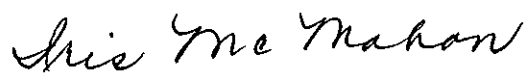
Request to Speak

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
Eric Billings	Joint Legislative Budget Committee	2
Sandra Watson	Arizona Commerce Authority	3
Sethuraman "Panch"		
Panchanathan	Arizona State University	4
Randy Burd	University of Arizona	5
Justin Dutram	University of Arizona	6
Melissa Armstrong	Northern Arizona University	Power Point Presentation (no attachment provided)

Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments (Summaries, Amendments, Attendance)</u>
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Iris McMahon, Chairman Assistant
December 21, 2015

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

Interim agendas can be obtained via the Internet at <http://www.azleg.state.az.us/InterimCommittees.asp>

ARIZONA HOUSE OF REPRESENTATIVES

INTERIM MEETING NOTICE

OPEN TO THE PUBLIC

HOUSE AD HOC INTERNATIONAL TRADE AND COMMERCE COMMITTEE

Date: Thursday, December 10, 2015

Time: 1:30 P.M.

Place: HHR 1

AGENDA

1. Call to Order - Welcome and Opening Remarks
2. Presentations:
 - Joint Legislative Budget Committee
 - Sandra Watson, Arizona Commerce Authority
 - Sethuraman "Panch" Panchanathan, Senior Vice-President of Knowledge and Enterprise Development, Arizona State University
 - ~~Mike Proctor, Vice President, Global Initiatives, University of Arizona~~
 - • Randy Burd, PhD, Assistant Vice-President for Global Initiatives, University of Arizona
 - • Justin Dutram, Director of Business Development, UA Tech Park
 - Melissa Armstrong, Director, Center for International Education, Northern Arizona University
3. Public Testimony
4. Closing Remarks
5. Adjourn

Members:

Representative Bob Robson, Chair
Representative Charlene R. Fernandez
Representative Tony Rivero
Representative David M. Gowan, Ex-officio
Representative David Livingston, Ex-officio
Representative Eric Meyer, Ex-officio
Representative Steve Montenegro, Ex-officio
Representative Rebecca Rios, Ex-officio
Representative Bruce Wheeler, Ex-officio

12/9/15
JY

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032, TDD (602) 926-3241.

Economic Development and International Trade in Arizona

Arizona Commerce Authority

December 10, 2015

JLBC

Arizona Commerce Authority

- Funding

- ☐ The Arizona Commerce Authority (ACA) is appropriated \$26.8 million in General Fund monies for FY 2016
 - Operations - \$10.0 million
 - Arizona Competes Fund - \$16.5 million
 - Mexico City Trade Office - \$300,000
- ☐ Additionally, the Arizona Competes Fund receives \$3.5 million non-appropriated lottery monies annually
- ☐ All other monies ACA receives are either non-appropriated or federal funds and are dependent on revenue streams or grant availability. ACA estimates expending \$10.7 million in FY 2016 from these sources
- ☐ For FY 2016, total expenditures are estimated to be \$41.0 million

Arizona Commerce Authority

- Operations

- ☐ ACA oversees the administration of 22 incentive and tax credit programs
- ☐ ACA currently has 59 employees and 4 contract workers that administer their programs
- ☐ To fund their operations ACA is appropriated \$10.0 million from the General Fund annually. General Fund administrative expenditures the past 4 years are as follows:
 - FY 2012 - \$9.8 million
 - FY 2013 - \$9.8 million
 - FY 2014 - \$10.3 million
 - FY 2015 - \$9.8 million
- ☐ ACA also receives federal and non-appropriated funds which are utilized to fund operations. In FY 2015, ACA expended \$6.3 million from other sources for operations

Arizona Commerce Authority

- Economic Development: Arizona Competes Fund Purpose

- ❑ The Arizona Competes Fund provides funding for the following 3 grant categories:
 - Competes Fund Grant – Grants to businesses expanding , locating to, or maintaining a presence in Arizona that meet certain wage, health insurance, and tax generation metrics
 - Rural Economic Development Grants – Funding to local governments to allow for infrastructure construction that will enhance economic development
 - Arizona Innovation Challenge Grants – Grants to small businesses that have not yet become profitable to help them commercialize a product or reach profitability

Arizona Commerce Authority

- Economic Development: Arizona Competes Fund Funding

- ❑ The Arizona Competes Fund will receive a total deposit of \$20.0 million in FY 2016 including \$16.5 million General Fund and \$3.5 million in non-appropriated lottery revenues
- ❑ The FY 2017 deposit will be \$15.0 million which includes \$11.5 million General Fund and \$3.5 million in non-appropriated lottery revenues
- ❑ Prior to FY 2016, the deposit was \$25.0 million including \$21.5 million General Fund and \$3.5 million in non-appropriated lottery revenues
- ❑ Through the end of FY 2015, the Arizona Competes Fund had received \$107.6 million in revenues and had awarded \$35.3 million and expended \$17.5 million
- ❑ The FY 2016 budget included a one-time fund sweep of \$75.0 million from the fund which will eliminate the uncommitted fund balance and leave \$17.3 million for new grants in FY 2016

Arizona Commerce Authority

- Economic Development: Arizona Competes Fund Utilization

Arizona Competes Fund

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
Revenue	\$26,823,500	\$26,905,200	\$27,091,800	\$26,760,600	\$107,581,100
Awards by Grant Program					
Competes Fund	\$5,200,000	\$3,500,000	\$4,300,000	\$5,500,000	\$18,500,000
Arizona Innovation Challenge	\$1,399,400	\$2,982,000	\$3,000,000	\$3,000,000	\$10,381,400
Rural Economic Development	<u>\$497,700</u>	<u>\$1,471,000</u>	<u>\$2,729,200</u>	<u>\$1,680,100</u>	<u>\$6,378,000</u>
Awards Total	\$7,097,100	\$7,953,000	\$10,029,200	\$10,180,100	\$35,259,400
Expenditures by Grant Program					
Competes Fund	\$1,000,000	\$3,891,300	\$368,300	\$2,256,300	\$7,515,900
Arizona Innovation Challenge	\$0	\$1,977,500	\$2,798,400	\$2,772,000	\$7,547,900
Rural Economic Development	<u>\$0</u>	<u>\$1,022,800</u>	<u>\$881,900</u>	<u>\$563,000</u>	<u>\$2,467,700</u>
Expenditures Total	\$1,000,000	\$6,891,600	\$4,048,600	\$5,591,300	\$17,531,500
Remaining FY Encumbrances	\$6,097,100	\$1,061,400	\$5,980,600	\$4,588,800	\$17,727,900
Uncommitted Fund Balance	\$19,726,400	\$38,678,600	\$55,741,200	\$72,321,700	

Arizona Commerce Authority

- Economic Development: Tax Credits and Other Initiatives

- ❑ ACA oversees 21 other tax credit or incentive programs that help to encourage investment in small business, renewable energy, computer data centers, operations centers, research and development, healthy forests, and high-paying jobs.
- ❑ ACA also manages several grant programs, the federal Innovation Accelerator Fund which provides low interest rate loans to small businesses, and the federal Private Activity Bonding program which allows qualified private companies to bonds that are exempt from federal taxation.
- ❑ To promote Arizona, the ACA engages in marketing, economic research, and business attraction efforts

Arizona Commerce Authority

- International Trade: Mexico City Trade Office

- ❑ Created in FY 2015 with an annual \$300,000 General Fund appropriation
- ❑ 2-story converted house in central Mexico City staffed by 4 contract workers from a business development firm
- ❑ Conducts research, identifies sales partners for Arizona companies, conducts business matchmaking, assists at trade show and expos, and identifies potential leads for investment in Arizona
- ❑ ACA partners with local governments and non-profits to fund the office with the partners and annual funding as follows:
 - City of Phoenix - \$75,000
 - Maricopa Association of Governments - \$25,000
 - City of Tucson - \$10,000
 - Visit Phoenix - \$25,000
- ❑ ACA previously had a financial interest in the trade office in Sonora, Mexico and administered trade offices in Shanghai and Beijing in China.

Arizona Commerce Authority

- International Trade: Arizona State Trade and Export Promotion (STEP) Grant

- ☐ Federal grant program administered by the U.S. Small Business Administration that provides monies to states to assist small businesses with less than 500 employees to enter export markets for the first time or expand into new markets
- ☐ Requires 33% match which ACA provides from the ACA Fund.
- ☐ The monies are used to provide export counseling, workshops, classes, and reimbursement of costs for activities that businesses undertake to improve their exports
- ☐ ACA no longer receives funds from this grant and has currently suspended this program. ACA intends to restart the program in the near future, but will not pursue federal funding
- ☐ ACA last received STEP grant monies in FY 2014 when they were awarded \$494,000

Arizona Commerce Authority

- International Trade: Other ACA Services

- ❑ ACA also offers the following services related to international trade:
 - Export Tech – A 60-day “boot camp” in which ACA staff train and guide participants towards an export and marketing plan
 - Trade Events – ACA purchases space at trade shows and expos and then leases it to interested businesses
 - Match Making – ACA connects Arizona companies with viable business partners that will enhance their export sales

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**INTERNATIONAL ACTIVITIES UPDATE:
ARIZONA COMMERCE AUTHORITY**

December 10, 2015

AZ: MOVING IN THE RIGHT DIRECTION

#1 Projected
Job Growth

#2 Space and Defense Systems
Manufacturing Employment

#1 Entrepreneurial Activity

TOP TEN
Growth
Prospects

Forbes
TechAmerica
Powered by CompTIA

FAST COMPANY

TOP TEN
Best State
for Business

Forbes

#4 Semiconductor
Manufacturing Employment

TOP TEN
Infrastructure
and Transportation

#5 Tech Manufacturing
Employment

Chief Executive

TechAmerica
Powered by CompTIA



TechAmerica
Powered by CompTIA

Enhancements to Arizona's Competitiveness

- Simplified tax structure
- Pro-business regulatory reform
- New job creation and investment tools



ACA: STRATEGIC FRAMEWORK

VISION: Arizona is the best location for high-quality business growth

MISSION: Grow & diversify Arizona's Economy & create quality jobs for its citizens by supporting and attracting businesses in targeted, high-growth clusters, with an emphasis on the base industries.

STRATEGIES:

1
Re
ruit

2
Grow

3
Cre
ate

ACTION PLAN:

Increase Awareness of
Arizona's Attractiveness

Enhance Arizona's
Competitiveness

Coordinate Arizona's
Economic Development

Make Arizona Preferred Location for Target Industries:
A&D, Semiconductors, Optics, Biosciences, Solar Energy

Make Arizona a Leading Hub in High-Quality Manufacturing and
Advanced Business Services

Foster Innovation and
Support Entrepreneurship

Become a Preferred Trading
Partner with
Mexico and Canada

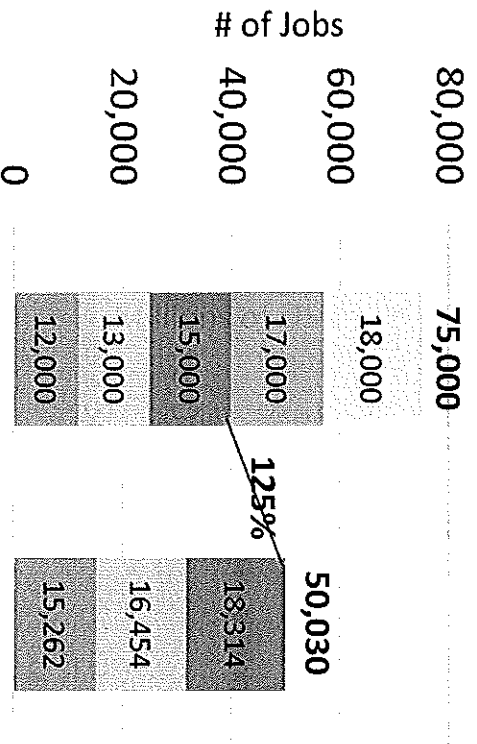
Support Employer-focused,
Demand-driven **Workforce**
Development

Develop Infrastructure to
Support Economic Growth

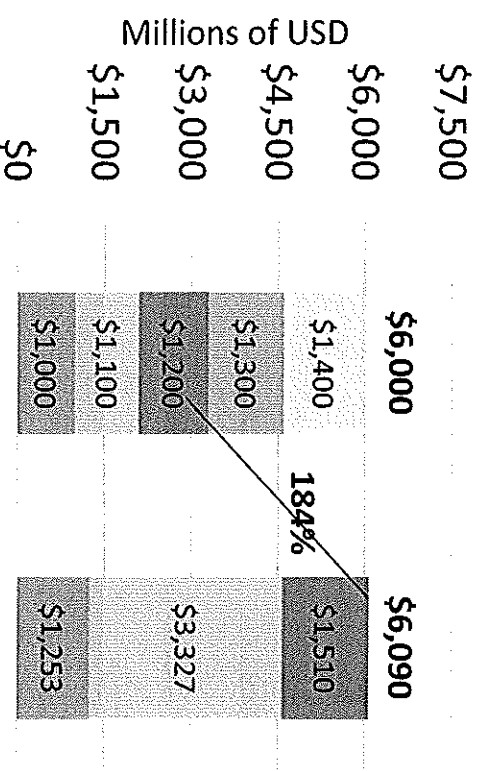
Integrate All Areas of
Arizona into the State's
Growth

ACA: FY2013-2015 RESULTS

Jobs Committed vs. ACA
Business Plan



CapEx Committed vs. ACA
Business Plan



FY13 FY14 FY15 FY16 FY17



ACA INTERNATIONAL RESULTS FY2012-PRESENT

21 Projects

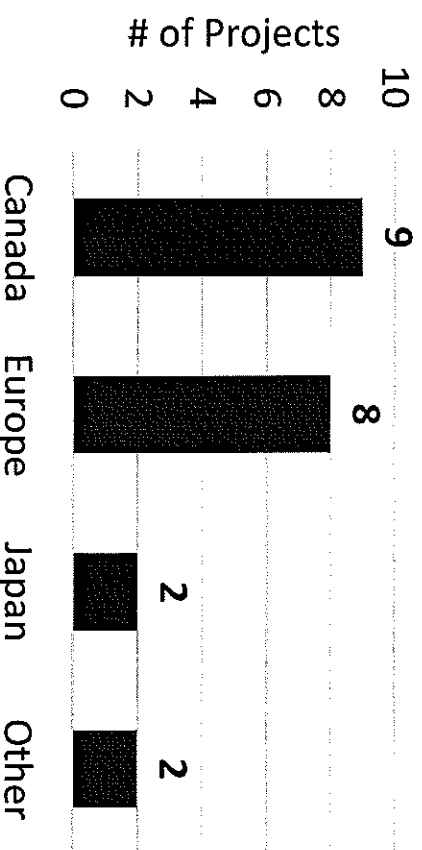


2,678 New Jobs
\$ 253 million in CapEx
\$ 51,855 average wage

Examples of Projects/Won

- ☐ Santander (Spain)
- ☐ Bombardier (Canada)
- ☐ ZylTech Building Systems (Canada)
- ☐ Bridgestone Americas (Japan)
- ☐ TP3 Global (UK)
- ☐ GEPACK (Portugal)
- ☐ Duralar Technologies (Italy)
- ☐ Schletter (Germany)







Int'l Projects Won by Country/Region



BUSINESS ATTRACTION PIPELINE

182 Opportunities
\$ 10.8 billion in CapEx
44,335 New Jobs
\$ 49,771 Average Wage

Origin (Attraction)

	Northeast: 18%		Midwest: 16%		Southwest: 12%
	California: 24%		International: 16%		Southeast: 7%

Industry (Total)

- | | |
|-------------------------|--------------------------|
| ➤ 31% Manufacturing | ➤ 12% IT/Software |
| ➤ 10% Renewable | ➤ 12% Business/Financial |
| ➤ 8% A&D | ➤ 5% Bio/Healthcare |
| ➤ 15% Consumer Products | |



THE FACTS: INT'L PARTNERSHIPS

2015 Trade (Jan. – Oct.)

- Arizona's Top 5 export destinations:
 - Mexico (**\$7.8** billion or **41%**)
 - Canada (**\$1.8** billion)
 - China (**\$918** million)
 - United Kingdom (**\$907** million)
 - Germany (**\$707** million)
- Arizona's Top 5 import markets:
 - Mexico (**\$6.3** billion or **39%**)
 - China (**\$2.2** billion)
 - Canada (**\$1.2** billion)
 - Germany (**\$628** million)
 - Malaysia (**\$613** million)
- Over 300,000 Arizona jobs depend on a strong Arizona-International relationship.
- Mexico purchases 95% of all metals and ores originating in Arizona with a destination outside of the U.S.



GROWING ARIZONA EXPORTS

Mexico Trade & Investment Office in Mexico City

- 75+ Arizona companies served
- Seven trade missions / events:
 - Hermosillo Expo (Nov. 14)
 - MC A&D Expo (Apr. 15)
 - Gov. Trade Mission (Jun. 15)
 - Maquila Supplier Expo (Aug. 15)
 - Acapulco, Mining (Oct. 15)
 - Adv. Mfg. B2B (Nov. 15)
 - Aerospace B2B (Dec. 15)
- Offers: export assistance - market research, B2B and B2G matchmaking and trade show/expo assistance

ExportTech (a RevAZ program)

- 25 companies graduated (4 cohorts)
- Export plans for 16 international markets - Australia, Bahrain, Brazil, Canada, China, Germany, Indonesia, Israel, Kuwait, Mexico, Saudi Arabia, South Korea, Spain, UAE, and the UK



AZ INTERNATIONAL ACTIVITY: AN UPDATE

AZSTEP (AZ State Trade & Export Promotion)

- 240+ companies from 30 Arizona cities and towns
- Export success in 80+ countries
- Export revenues \$60MM
- Nearly 60:1 ROI on federal \$

ACA/Governor-Led Trade Missions (2013 – 2015)

- | | | |
|--------------------------|------------------------|---------------------|
| • Israel (Oct. '15) | • Hong Kong (Oct. '14) | • India (Aug. '14) |
| • Mexico (Jun. '15) | • England (Oct. '14) | • Canada (Jun. '14) |
| • France (Jun. '15, '13) | • Ireland (Oct. '14) | • Taiwan (Nov. '13) |
| • China (Oct. '14) | • Norway (Oct. '14) | |

California Trade & Investment Offices

- Santa Monica
- San Mateo



THE FACTS: UPDATE ON FDI INTO ARIZONA

Arizona FDI, Statistics (2012 – 2015; FDIMarkets.com)

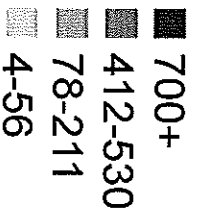
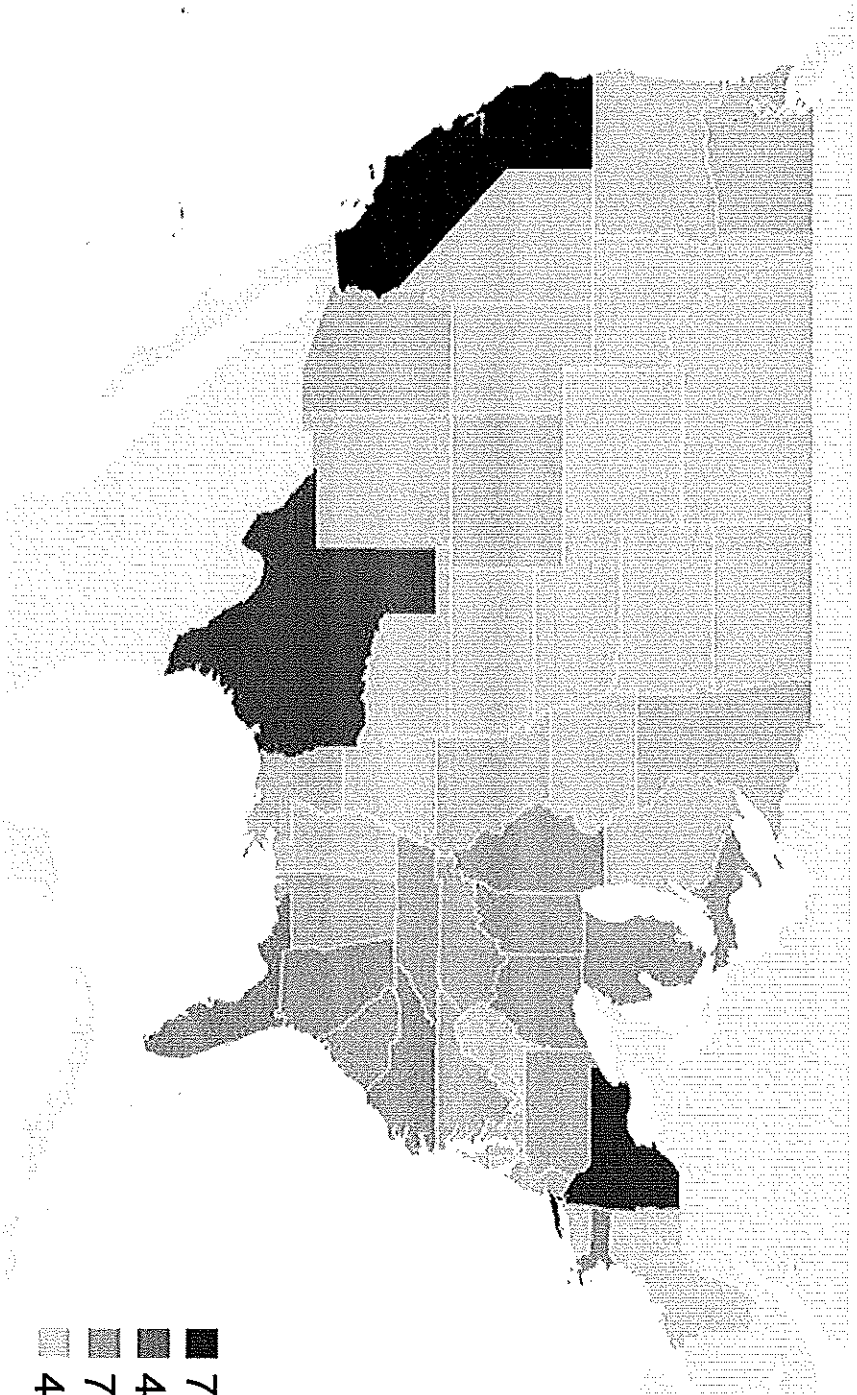
- Total Projects: **50**
 - 2015 (Q1+Q2): **10**
 - 2014: **10**
 - 2013: **23**
 - 2012 (Q3+Q4): **7**
- Top Source Countries:
 - United Kingdom (**10**)
 - Canada (**7**)
 - Germany (**8**)
 - Japan (**6**)

FDI into Arizona by Industry

- Software & IT: **9**
- Business Services: **7**
- Financial Services: **5**
- Food Mfg.: **4**
- Industrial Machinery: **4**
- Aerospace: **3**



THE FACTS: UPDATE ON FDI INTO ARIZONA



Source: FDIMarkets.com



ACA: STATE AGENCY PARTNERSHIPS

Arizona-Mexico Commission

- Trade missions, Mexico, TTCA

Arizona Department of Transportation

- I-11 Corridor, TTCA, Infrastructure Projects (Economic Strengths Grant)

Arizona Department of Water Resources

- Communications alignment, project development, research

Arizona Office of Tourism

- Marketing Arizona

Other:

- Arizona Department of Revenue
- Arizona Commerce Authority Technical Advisors

CONTACT INFORMATION

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AZCOMMERCE.COM





ASU Knowledge Enterprise

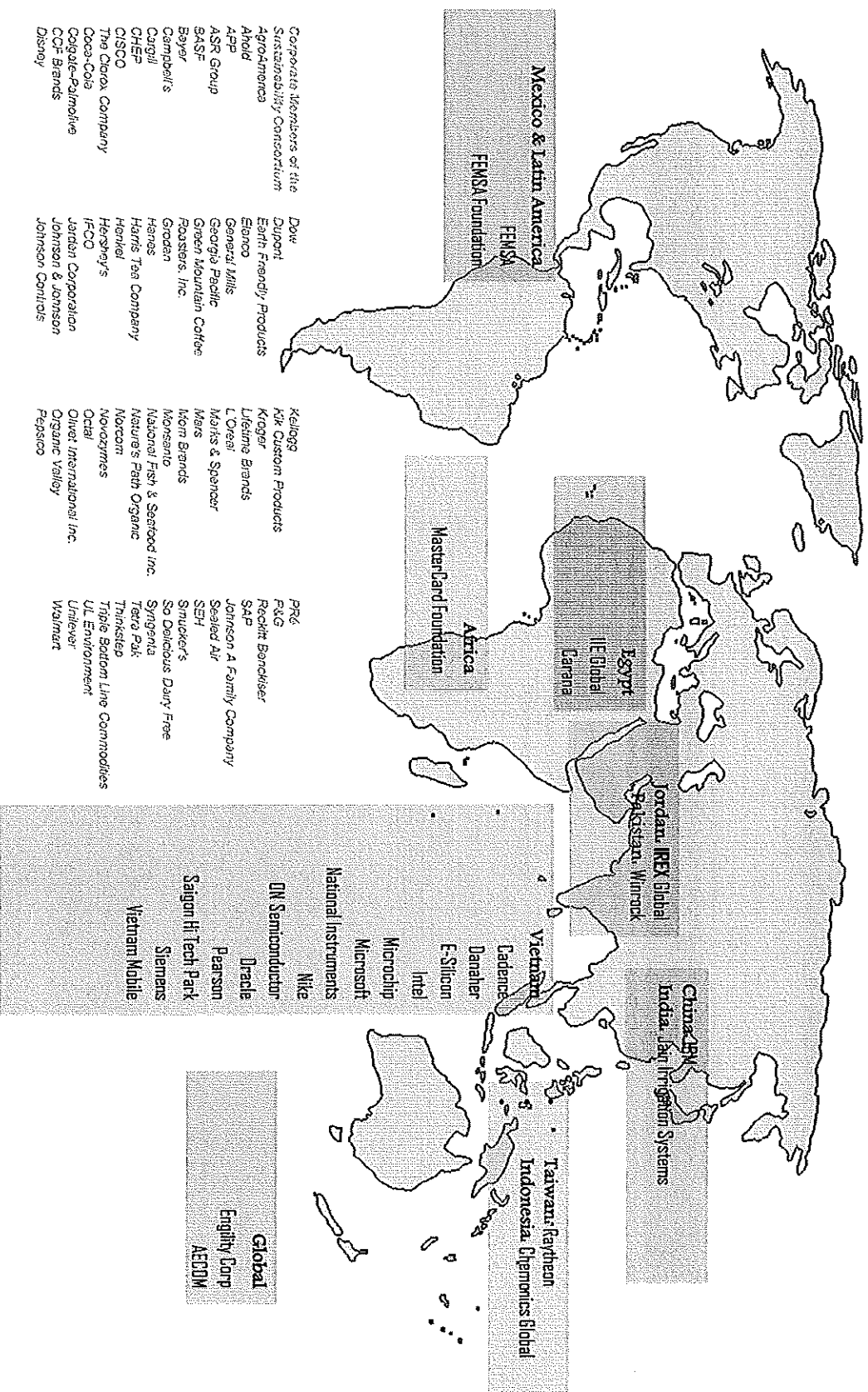
Global Engagement



ARIZONA STATE UNIVERSITY

Fall 2015

ASU Global Partners



Global Development

#5 in the nation for producing the best-qualified graduates

- Wall Street Journal Survey of corporate recruiters

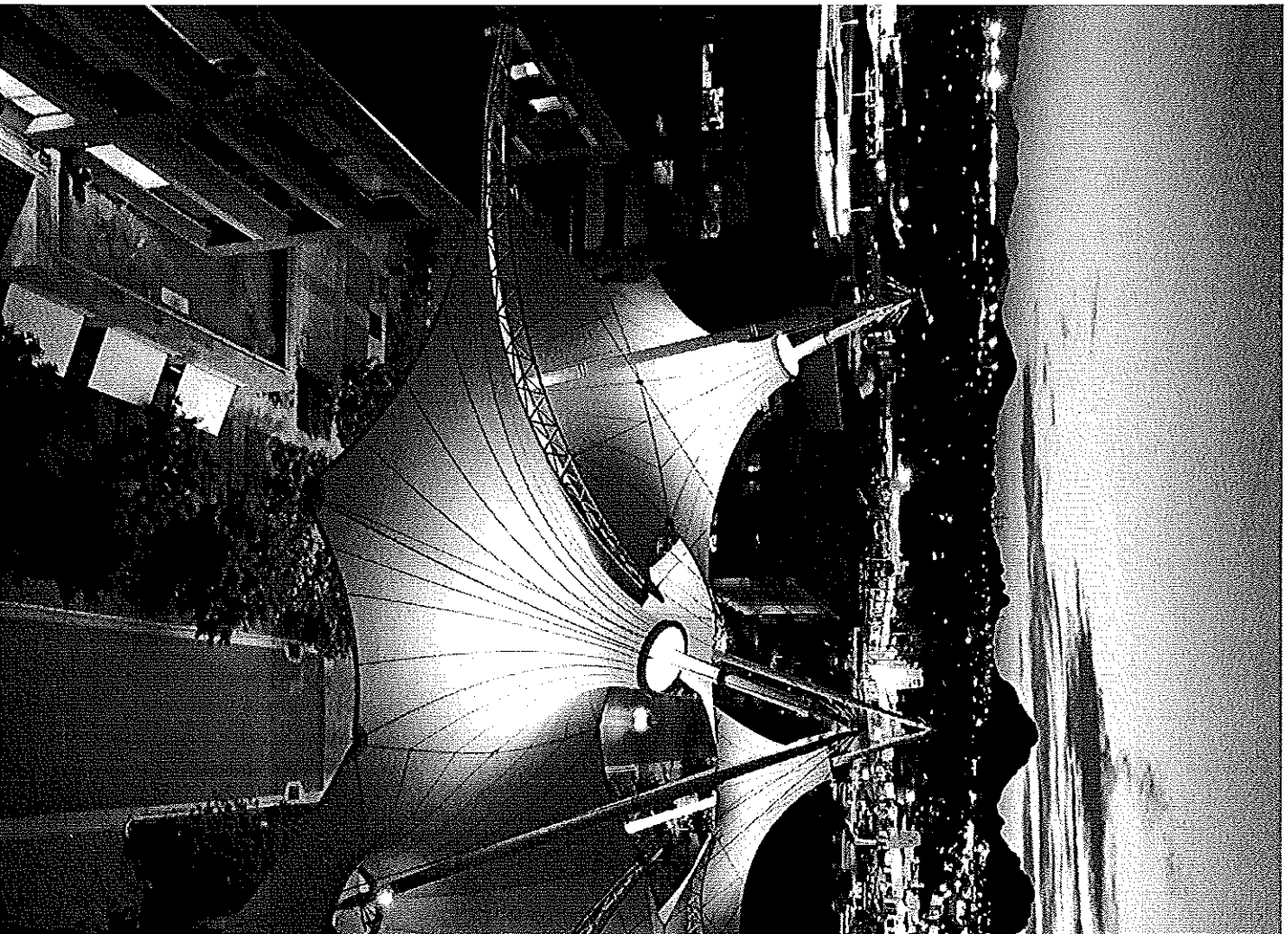
Higher Engineering Education Alliance Program

- Modernizing engineering teaching and learning methods in Vietnam
- **\$20M** from USAID and Intel
- Won U.S. Secretary of State's Award for Corporate Excellence in 2012



USAID
FROM THE AMERICAN PEOPLE





Global Economic Development

SkySong

- Over **\$580M** in economic impact
- **60+** companies
Majority in IT, Ed Tech & Healthcare
- Global Gateway

Innovation Campuses

Community Engagement

skysong.asu.edu

theranos

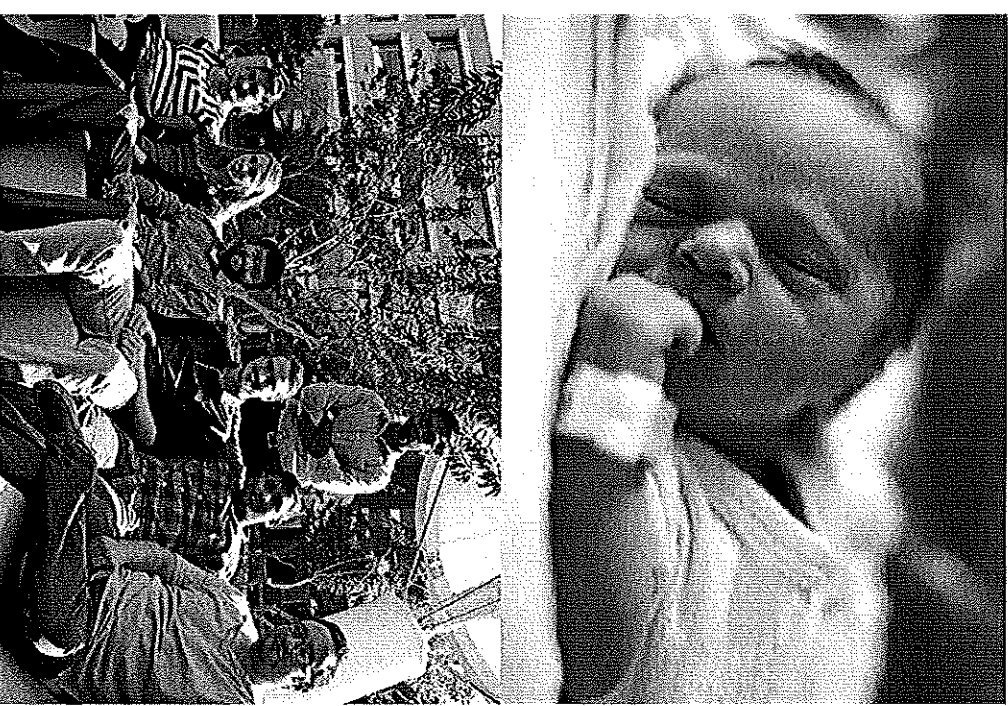
UE UNIVERSITY
ECONOMIC
DEVELOPMENT
IDA ASSOCIATION

VELOCITY
Transforming the Greater Phoenix Economy

ASU business and engineering graduates created a portable, cost-effective incubator for newborn and pre-term babies.

**Global solution that treats jaundice
40% faster than existing treatments**

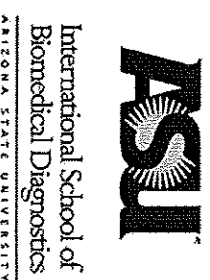
 **Neolight**



Global University Network

Ireland

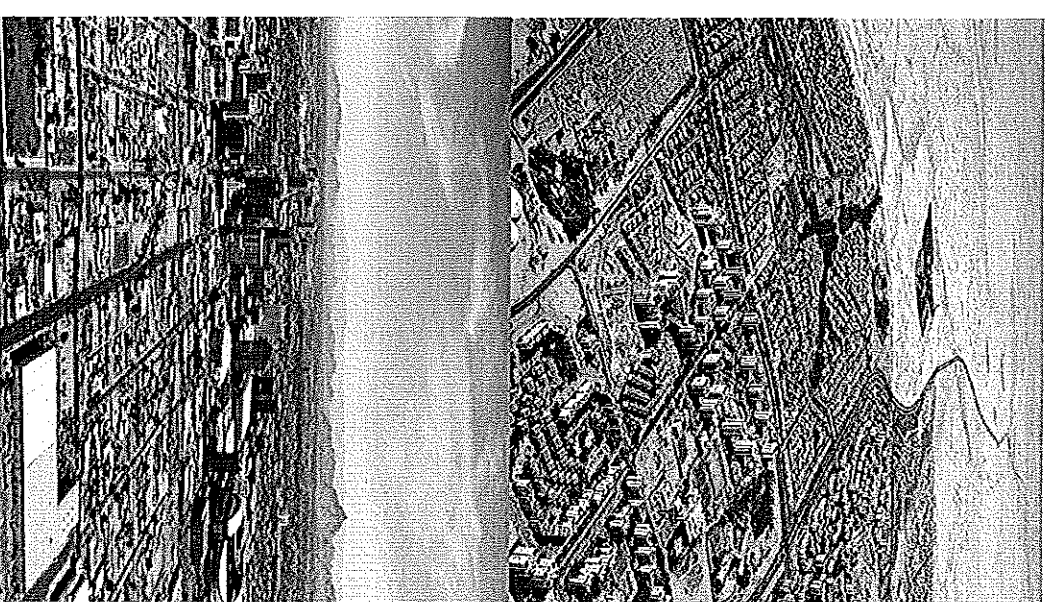
- **Arizona and Ireland share common economic base in areas such as the internet of things and biomedical diagnostics**



Grand Challenges Collaboration

Israel

- Significant overlap in context and opportunity: water, desert cities, sustainability
- ASU and BGU play similar roles in the growth and development of desert cities
 - Beer Sheva and Phoenix



Regional Economic Development

Mexico

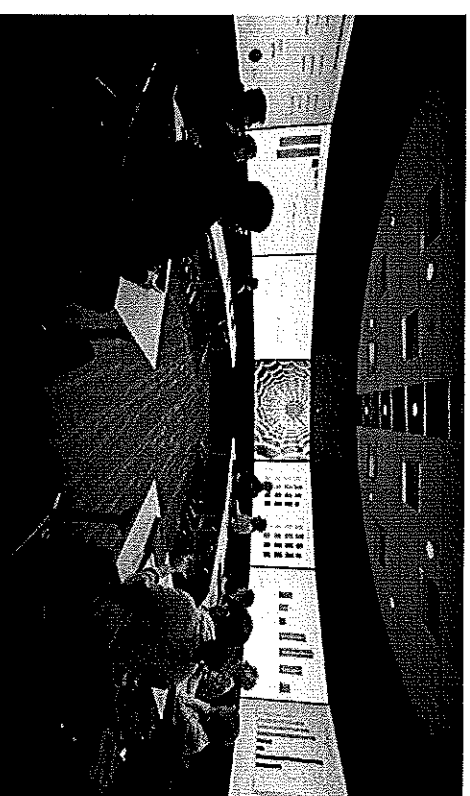
- Common opportunities for economic development in the arena of renewable energy



Tecnológico
de Monterrey



UNAM



Bio-Medical Corridor

Charlie Arntzen

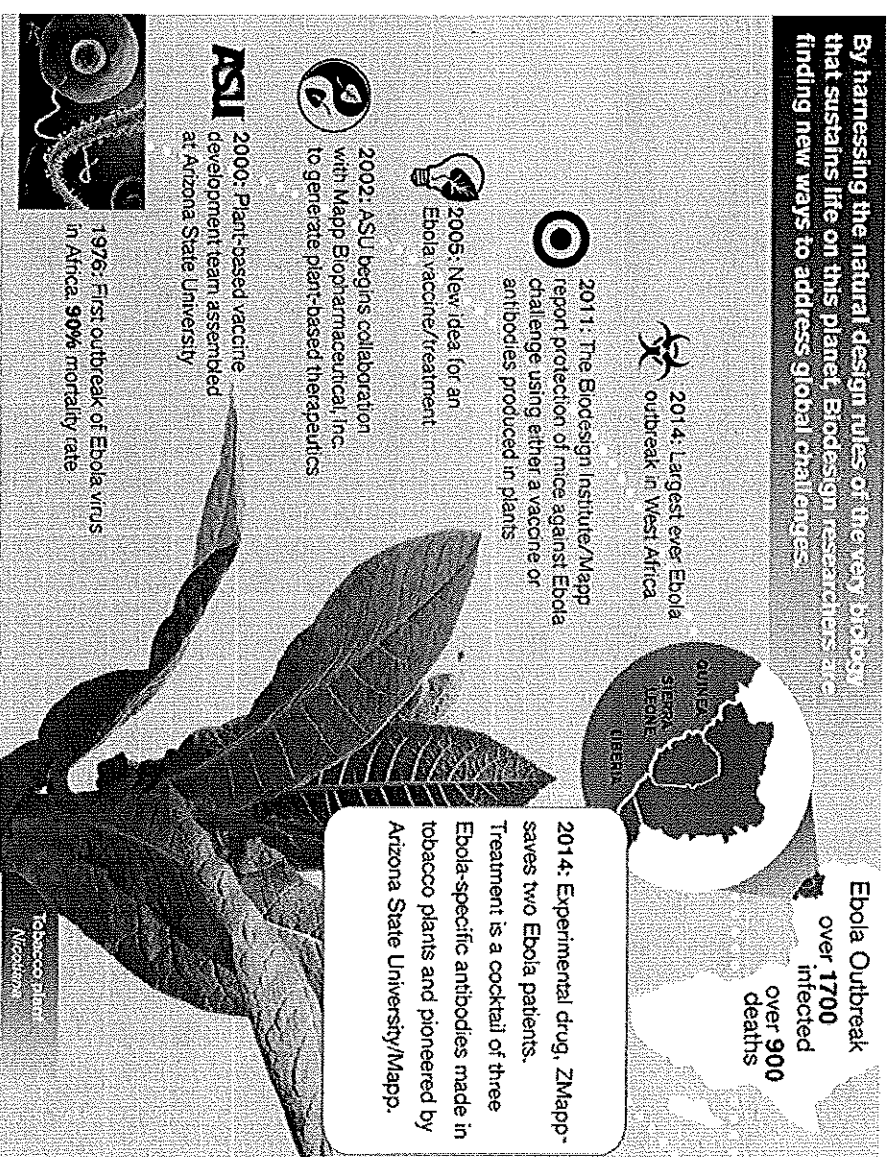


National Academy of Sciences Fellow

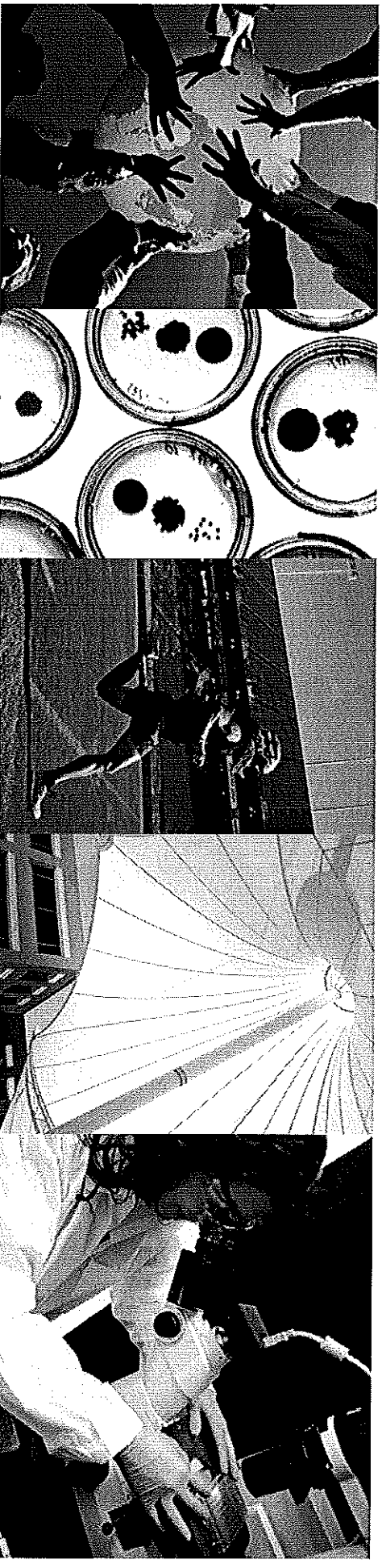
Chemistry & Biochemistry Biodesign Institute

- 2000 Florence Ely Nelson
Presidential Endowed
- 2004 Regents Professor

research.asu.edu



Thank you and invitation to visit ASU



Sethuraman (Panch) Panchanathan
Senior Vice President
panch@asu.edu